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Consolidated Financial Statements of

SUNRISE INTERNATIONAL INC.

September 30, 1998



Auditors' Report

To the Shareholders of
Sunrise International Inc.

We have audited the consolidated balance sheets of Sunrise International Inc. as at September 30, 1998 and 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte + Touche LLP

December 4, 1998

SUNRISE INTERNATIONAL INC.
Consolidated Balance Sheets
September 30, 1996 and 1995

	1996	1995
ASSETS		
Cash and cash equivalents	\$ 71,529	\$ 71,529
Accounts receivable	1,452,213	1,751,960
Prepaid expenses	2,414,308	2,702,523
Investment in subsidiaries and affiliates	102,430	252,292
Other assets		
	4,819,174	4,819,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	182,700	341,050
Accrued expenses	1,584,198	1,584,197
Deferred income taxes	3,443,752	4,162,241
Other liabilities	22,471,082	22,471,082
	27,681,732	28,558,570
STOCKHOLDERS' EQUITY		
Common stock	100,000	100,000
Preferred stock	100,000	100,000
Retained earnings	27,481,732	28,358,570
	27,681,732	28,558,570
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	182,700	341,050
Accrued expenses	1,584,198	1,584,197
Deferred income taxes	3,443,752	4,162,241
Other liabilities	22,471,082	22,471,082
	27,681,732	28,558,570
CONTINGENCIES AND COMMITMENTS (See Note 10)		
MANAGEMENT'S REPORT		
Share capital (See Note 10)	12,367,776	12,367,776
Contributed capital	91,512	91,512
Retained earnings	15,222,244	15,919,282
	27,681,532	28,378,570
	\$ 27,681,532	\$ 28,378,570

APPROVED BY THE BOARD

Chairman of the Board

President

SUNRISE INTERNATIONAL INC.**Consolidated Balance Sheets**

September 30, 1998 and 1997

	1998	1997
ASSETS		
CURRENT		
Cash	\$ -	\$ 71,509
Accounts receivable	1,852,215	1,733,984
Inventories	2,845,320	2,702,923
Prepaid expenses and deposits	172,639	202,223
Land inventory	-	107,000
	4,870,174	4,817,639
OTHER RECEIVABLES	298,320	361,083
PROPERTIES HELD FOR DEVELOPMENT (Note 3)	1,280,678	1,186,177
RENTAL PROPERTIES (Note 4)	5,643,732	8,185,341
CAPITAL ASSETS (Note 5)	22,371,688	17,216,373
INVESTMENTS IN AND ADVANCES TO SIGNIFICANTLY INFLUENCED COMPANIES AND OTHER INVESTMENTS (Note 6)	933,288	1,072,433
DEFERRED COSTS	65,016	46,273
GOODWILL (Note 7)	489,021	512,397
	\$ 35,951,917	\$ 33,397,716
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 251,058	\$ -
Accounts payable and accrued liabilities	2,664,618	2,193,654
Income taxes	793,728	562,274
Current portion of deferred land rent (Note 8)	60,000	67,780
Current portion of long-term debt (Note 9)	1,945,462	1,804,901
	5,714,866	4,628,609
DEFERRED LAND RENT (Note 8)	41,669	101,668
LONG-TERM DEBT (Note 9)	16,430,711	15,247,145
DEFERRED INCOME TAXES	1,110,000	1,150,000
	23,297,246	21,127,422
CONTINGENCIES AND COMMITMENTS (Note 10)		
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	12,087,776	12,087,776
Contributed surplus	91,610	91,610
Retained earnings	475,285	90,908
	12,654,671	12,270,294
	\$ 35,951,917	\$ 33,397,716

APPROVED BY THE BOARD

..... Director

..... Director

SUNRISE INTERNATIONAL INC.**Consolidated Statements of Earnings and Retained Earnings**

Years ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
INCOME		
Sales		
Tourism and hotels	\$ 13,233,281	\$ 11,653,803
Retail	8,354,525	9,943,827
Rental	1,395,731	1,170,229
Income from investments in significantly influenced companies	117,624	184,833
Other	196,170	286,821
	<u>23,297,331</u>	<u>23,239,513</u>
EXPENSES		
Cost of sales		
Tourism and hotels	4,711,670	3,946,826
Retail	6,928,987	8,510,400
Rental	110,875	313,774
General and administrative expenses	7,283,315	6,034,988
	<u>19,034,847</u>	<u>18,805,988</u>
EARNINGS BEFORE THE FOLLOWING	<u>4,262,484</u>	<u>4,433,525</u>
OTHER CHARGES		
Depreciation and amortization	1,792,858	1,535,712
Interest		
Long-term debt	1,514,840	1,405,628
Operating interest and bank charges	291,548	284,634
Provision for impairment in value of assets	-	871,711
Gain on sale of capital assets, properties held for development, rental properties and from insurance settlement	(381,139)	(399,404)
	<u>3,218,107</u>	<u>3,698,281</u>
EARNINGS BEFORE INCOME TAXES	<u>1,044,377</u>	<u>735,244</u>
INCOME TAXES (Note 12)	<u>660,000</u>	<u>862,000</u>
NET EARNINGS (LOSS)	<u>384,377</u>	<u>(126,756)</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>90,908</u>	<u>217,664</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 475,285</u>	<u>\$ 90,908</u>
BASIC EARNINGS (LOSS) PER SHARE (Note 11)	<u>\$ 0.009</u>	<u>\$ (0.003)</u>

SUNRISE INTERNATIONAL INC.
Consolidated Statements of Changes in Financial Position
Years ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING		
OPERATING		
Net earnings (loss)	\$ 384,377	\$ (126,756)
Items not affecting cash		
Deferred income taxes	(40,000)	(127,129)
Depreciation and amortization	1,792,858	1,535,712
Income from investments in significantly influenced companies	(117,624)	(184,833)
Provision for impairment in value of assets	-	871,711
Gain on disposal of capital assets, properties held for development, rental properties and from insurance settlement	(381,139)	(399,404)
	1,638,472	1,569,301
Changes in non-cash operating working capital items	509,137	158,827
	2,147,609	1,728,128
FINANCING		
Proceeds from long-term debt	6,688,049	1,934,190
Repayment of long-term debt	(5,363,922)	(2,148,951)
Recovery of land rent	67,779	169,448
	1,256,348	(45,313)
INVESTING		
Purchase of capital assets	(7,093,921)	(1,800,659)
Purchase of rental properties	(781,901)	(731,998)
Purchase of properties held for development	(168,806)	(125,228)
Proceeds from disposal of properties held for development	172,540	75,000
Proceeds from disposal of capital assets	453,572	966,113
Proceeds from disposal of rental properties	3,435,223	-
Disposal of and advances from (purchase of and advances to) investments in and advances to significantly influenced companies and other investments - net	256,769	457,070
	(3,726,524)	(1,159,702)
NET CASH (OUTFLOW) INFLOW	(322,567)	523,113
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	71,509	(451,604)
(BANK INDEBTEDNESS) CASH, END OF YEAR	\$ (251,058)	\$ 71,509

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

1. DESCRIPTION OF BUSINESS

The Company is a holding company incorporated under the Business Corporations Act (Alberta). Its shares are traded on the Alberta Stock Exchange.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions have been eliminated. The wholly-owned subsidiaries are:

Jasper Inn Investments Ltd.
Maligne Tours Ltd.
373568 Alberta Ltd.
497751 Alberta Ltd.
Park Place Building Ltd.
Sunrise Auctions Ltd.
Pyramid Construction Inc.

Jasper Travel Agency Ltd.
Onyx Investments Ltd.
Liquor Hut Inc.
581519 Alberta Ltd.
King Street Mall Ltd.
Yellowhead Equipment Inc.
National Tractor Inc.

2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Inventories

Inventories are valued at the lower of cost and net realizable value. Land inventory cost includes capitalized interest and property taxes.

Properties held for development

Properties held for development are recorded at cost which includes the original purchase price, acquisition costs, interest on debt specifically related to the acquisition of the land, property taxes, and where applicable, development costs. Properties held for development are written down to estimated net realizable value in the year in which management determines that a permanent decline in value has occurred.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 1998 and 1997

2. ACCOUNTING POLICIES (continued)

Rental properties and capital assets

The Company records rental properties and capital assets at cost. Rental properties and capital assets acquired in 1989 from related parties were recorded at their fair market values at the time of transfer. Depreciation on these assets is provided using the following annual rates and methods:

Rental buildings	4% declining-balance
Tourism and hotel buildings	4% declining-balance
Retail buildings	5% declining balance
Condominiums	4% declining-balance
Tourism marine vessels	15% declining-balance
Parking lots	8% declining-balance
Furniture and equipment	10% - 30% declining-balance
Vehicles	30% declining-balance
Construction equipment	30% declining-balance
Signs	25% declining-balance

The following assets on leased land are depreciated on a straight-line basis over the term of the lease. The Company's land leases are within Jasper National Park and have various lease expiry dates between 2007 and 2022.

Rental buildings
Tourism buildings
Parking lots
Swimming pool
Condominiums

Investments in and advances to significantly influenced companies and other investments.

Investments in companies in which the Company has significant influence are accounted for on the equity basis. Other investments are recorded at cost. Investments are written down when management has determined there has been a permanent decline in value.

Deferred costs

Costs relating to the leasing of lands in Jasper National Park have been capitalized. These costs are amortized over the term of the lease.

Goodwill

The excess of the cost of investments in subsidiaries over the fair value of the net assets acquired is recorded as goodwill. Goodwill is being amortized using the straight-line method over its estimated remaining life of eighteen to twenty-five years for assets on land leased in Jasper National Park. The Company assesses the continuing value of goodwill each year by considering current operating results, trends and projections. In the year of impairment in value, goodwill would be reduced by a charge to operations.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

3. PROPERTIES HELD FOR DEVELOPMENT

	1998	1997
Land and improvements	\$ 531,288	\$ 452,106
Leasehold interests in properties	445,000	445,000
Carrying costs	304,390	289,071
	\$ 1,280,678	\$ 1,186,177

Leasehold interests in properties include land located within Jasper National Park held under various leases which expire between 2010 and 2011.

4. RENTAL PROPERTIES

	1998			1997
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	\$ 1,123,605	\$ -	\$ 1,123,605	\$ 2,362,066
Buildings	3,911,702	811,608	3,100,094	4,327,991
Buildings on leased land	2,115,378	874,524	1,240,854	1,269,755
Parking lots	325,436	148,221	177,215	222,911
Signs	21,565	19,601	1,964	2,618
	\$ 7,497,686	\$ 1,853,954	\$ 5,643,732	\$ 8,185,341

Buildings on leased land are located within Jasper National Park on land held under various leases which expire between 2010 and 2022.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

5. CAPITAL ASSETS

	1998			1997
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 742,246	\$ -	\$ 742,246	\$ 742,246
Tourism and hotel buildings	8,435,896	1,032,030	7,403,866	3,070,112
Retail buildings	1,951,098	619,639	1,331,459	1,173,006
Condominiums	173,475	34,748	138,727	144,507
Tourism marine vessels	1,550,174	1,029,709	520,465	434,008
Parking lots	201,004	89,183	111,821	121,545
Furniture and equipment	6,115,297	3,449,105	2,666,192	1,779,550
Vehicles	771,245	435,712	335,533	311,511
Construction equipment	468,990	151,228	317,762	356,034
Signs	64,691	45,190	19,501	29,273
	20,474,116	6,886,544	13,587,572	8,161,792
Assets on leased land				
Tourism buildings	10,260,422	2,444,960	7,815,462	7,913,390
Parking lots	107,405	30,096	77,309	81,404
Swimming pool	136,067	19,663	116,404	121,262
Condominiums	1,066,107	291,166	774,941	938,525
	11,570,001	2,785,885	8,784,116	9,054,581
	\$ 32,044,117	\$ 9,672,429	\$ 22,371,688	\$ 17,216,373

Assets on leased land are located within Jasper National Park on land held under various leases which expire between 2007 and 2022.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

6. INVESTMENTS IN AND ADVANCES TO SIGNIFICANTLY INFLUENCED COMPANIES AND OTHER INVESTMENTS

		1997	1998		
	Ownership Percentage	Net Book Value	Advances to (from) Investee	Income (Loss) of Investee	Net Book Value
Significantly Influenced Companies					
Thomas Bus Sales (1990) Ltd.	50%	\$ 590,092	\$ -	\$ 63,195	\$ 653,287
Christmas in The Rockies (a partnership)	50%	194,637	(30,131)	(11,348)	153,158
Maligne River Adventures Ltd.	50%	99,219	(70,000)	69,165	98,384
Other significantly influenced companies	20% - 50%	(729)	-	(3,388)	(4,117)
		883,219	\$ (100,131)	\$ 117,624	900,712
Other investments		189,214			32,576
		\$ 1,072,433			\$ 933,288

Advances to significantly influenced companies are without interest and have no specified terms of repayment.

Other investments do not have a quoted market value.

7. GOODWILL

	1998	1997
Cost	\$ 715,000	\$ 715,000
Accumulated amortization	225,979	202,603
	<u>\$ 489,021</u>	<u>\$ 512,397</u>

8. DEFERRED LAND RENT

During the prior year, the Company renegotiated their land rental agreements for certain properties located in Jasper and received a refund of amounts previously paid. Under the agreements, this deferred land rent is to be applied to land rental payments due in the next two years.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

9. LONG-TERM DEBT

	<u>1998</u>	<u>1997</u>
Mortgages		
Mortgage bearing interest at 8.75% repayable in blended monthly payments of \$88,444, maturing in May, 2001. The mortgage is secured by an unlimited corporate guarantee and debentures totalling \$7,150,000 granting a floating charge over specific land, tourism buildings, furniture and equipment, condominium, and an assignment of rents, leases and insurance.	\$ 6,036,311	\$ 6,545,031
Mortgage bearing interest at prime plus 1% repayable in blended monthly payments of \$17,000, maturing in September, 1998. The mortgage is secured by specific land, a rental building and an assignment of rents and leases.	-	1,489,878
Mortgage bearing interest at 9.75% repayable in blended monthly payments of \$2,060, maturing August 1, 1999. The mortgage is secured by first fixed charges against a specific condominium assignment of rents and insurance.	20,703	832,482
Mortgage bearing interest at a rate of 8% maturing in 2010 repayable in blended monthly payments of \$5,000. The mortgage is secured by specific condominiums.	458,760	481,086
Mortgage bearing interest at prime plus 2% repayable in blended monthly payments of \$1,895, maturing in 2009. The mortgage is secured by a specific rental property.	131,281	140,709
Mortgage bearing interest at a rate of prime plus 2% repayable in blended monthly payments of \$3,500, maturing in 1998. The mortgage is secured by specific land, a rental building and an assignment of rents and leases.	438,331	443,695
Carried Forward	\$ 7,085,446	\$ 9,932,881

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

9. LONG-TERM DEBT (continued)

	<u>1998</u>	<u>1997</u>
Brought forward	\$ 7,085,446	\$ 9,932,881
Bank Loans		
Demand bank loans bearing interest at rates of prime plus 1.25% to 2.0% and fixed interest rates of 8.50% to 11% repayable in monthly payments of \$195,200 including interest. Remaining amortization period is from 1 to 5 years subject to annual loan renewal. The loans mature at various dates from December, 1998 to July, 2002.	11,080,600	6,962,211
The above bank loans and operating line of credit are secured by demand debentures and general security agreements granting a fixed and floating charge over all assets of the Company and specific charges against certain properties held for development, rental properties, capital assets and assignment of rents and fire insurance proceeds covering all buildings, tourism marine vessels, furniture and equipment and inventories.		
Capital Lease		
Capital leases bearing interest of 3.90% to 18% repayable in blended monthly payments of \$7,250 maturing at various dates from July, 2000 to October, 2002. The leases are secured by specific equipment with a net book value of \$203,703.	210,127	156,954
	18,376,173	17,052,046
Less current portion	1,945,462	1,804,901
	<u>\$ 16,430,711</u>	<u>\$ 15,247,145</u>

Principal repayments due within the next five years assuming bank loans subject to annual loan renewal are refinanced under similar terms.

1999	\$ 1,945,462
2000	2,095,130
2001	1,923,473
2002	1,859,976
2003	1,886,949

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

10. CONTINGENCIES AND COMMITMENTS

- a) The Company is in violation of certain covenants with respect to its bank loans. Management does not believe that this default will affect the terms of repayment.
- b) The Company has an agreement with retail dealers to which it sells certain equipment, such that the dealers, at their option, may return the equipment to the Company for a full refund. Subsequent to the end of the year, equipment totalling approximately \$187,000 was returned to the Company pursuant to this agreement.
- c) The Company has issued letters of guarantees on behalf of companies over which it has significant influence in the aggregate amount of \$150,000 as at September 30, 1998.
- d) The Company has been named as a defendant in a legal case. The plaintiff is seeking recoveries/damages in the approximate amount of \$500,000. The outcome of this case is uncertain at present. The Company is of the opinion that this claim is without merit and no loss will be incurred. No provision has been made in the accounts for this claim.
- e) The Company has entered into long-term land lease commitments for land located in Jasper National Park which expire between 2007 and 2022. Land lease payments are determined based on appraised value of the land.

Estimated lease payments over the next two years are as follows:

1999	\$ 192,000
2000	192,000

In addition, a concession levy is payable to Jasper National Park and is determined annually based on certain tourism gross sales.

- f) The Company has entered into a long-term rental agreement for retail space in Jasper for \$164,000 per year which expires January, 2006.
- g) The Company has entered into a lease agreement with a company, which is a shareholder of the Company, for retail space in Spruce Grove, Alberta which expires on November 30, 2000.

Estimated lease payments over the next three years are as follows:

1999	\$ 14,625
2000	14,625
2001	2,438

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

11. SHARE CAPITAL

Authorized		
Unlimited Class A common shares		
Unlimited Class B restricted, non-voting shares		
100,000,000 first preferred shares		
20,000,000 preferred, redeemable shares, redemption price to be determined upon issuance		
	<u>1998</u>	<u>1997</u>
Issued		
43,702,510 Class A common shares	<u>\$ 12,087,776</u>	<u>\$ 12,087,776</u>

There have been no changes in the number of common shares outstanding during the year.

12. INCOME TAXES

The income tax provision on the consolidated statements of earnings and retained earnings exceeds the Company's statutory income tax rate of 45% principally because the tax cost of capital assets is less than the carrying value for accounting purposes. The carrying value for accounting purposes was based on the fair market values of the assets at the time they were acquired by the Company. The tax cost of the assets did not change upon their acquisition. Therefore, depreciation expense for accounting purposes exceeds capital cost allowance for tax purposes.

The following reconciles income taxes calculated at the combined basic Canadian federal and provincial income tax rate with the income tax provision in the consolidated financial statements.

	<u>1998</u>	<u>1997</u>
Income tax based on the combined basic Canadian federal and provincial income tax rate	<u>\$ 470,000</u>	<u>\$ 332,000</u>
Tax effect of provision for impairment in value of assets	-	392,000
Tax effect of depreciation greater than capital cost allowance	100,000	105,000
Large corporation tax	55,000	50,000
Tax effect of other permanent differences	35,000	(17,000)
	<u>\$ 660,000</u>	<u>\$ 862,000</u>

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

13. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties not disclosed elsewhere in these financial statements are as follows:

- a) Transactions and balances with companies over which the Company has significant influence (20% to 50% equity interest)

	<u>1998</u>	<u>1997</u>
Rental and tourism revenue	\$ 87,832	\$ 170,488
Management fees received	100,000	100,000
Purchase of investment	-	13,674
Balances in accounts receivable	108,177	122,114
Balance in accounts payable	-	13,674

- b) Transactions and balances with companies which are shareholders or corporations owned by shareholders of the Company

	<u>1998</u>	<u>1997</u>
Rental and retail revenue	\$ 308,131	\$ 84,319
Interest revenue	11,760	-
Management fee revenue	15,943	-
Rental expense	15,649	17,349
Management fee expense	120,000	118,037
Sale of rental property	750,000	-
Vehicles lease expense	38,539	79,978
Advertising fees expense	28,312	26,400
Capital assets purchased	304,593	127,553
Purchase of investment	-	41,022
Balances in accounts receivable	170,989	89,488
Balance in accounts payable	31,619	38,728

- c) Transactions and balances with companies over which shareholders of the Company have significant influence

	<u>1998</u>	<u>1997</u>
Rental revenue	\$ -	\$ 37,125
Retail revenue	-	111,919
Interest revenue	-	13,169
Balance in accounts receivable	-	53,558
Balance in other receivables	-	135,794

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

13. RELATED PARTY TRANSACTIONS (continued)

- d) Transactions and balances with individuals who are shareholders and, in some cases, directors of the Company

	<u>1998</u>	<u>1997</u>
Legal expense	\$ 24,511	\$ 8,318
Directors' fees expense	72,000	72,000
Management fees expense	6,000	-
Purchase of investment	-	13,674
Balance in accounts receivable	8,251	-
Balance in accounts payable	1,458	13,674

- e) Transactions and balances with a company controlled by an individual in the Company's management

	<u>1998</u>	<u>1997</u>
Retail revenue	\$ 377,030	\$ 384,000
Balance in accounts receivable	33,681	3,194

- f) Transactions and balances with a company jointly controlled by an individual in the Company's management

	<u>1998</u>	<u>1997</u>
Retail revenue	\$ -	\$ 31,000
Balance in accounts receivable	-	1,288

Generally, the above transactions are at market rates or are as agreed between the related parties. The balances have normal terms and conditions.

14. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Company's cash flows, financial position and income. The risk related primarily to long-term debt issued at floating interest rates. Currently, \$9,762,519 of the Company's long-term debt is issued at floating interest rates. A 1% change in interest rates would change earnings before income taxes by \$98,000.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a large number of diverse customers which minimizes concentration of credit risk.

SUNRISE INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
Years ended September 30, 1998 and 1997

14. FINANCIAL INSTRUMENTS (continued)

Fair value

Fair values approximate amounts at which these instruments could be exchanged in a current transaction between willing parties. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Therefore, due to their subjective and uncertain nature, fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

Current assets and liabilities are valued at their carrying values due to the relatively short period to maturity of these instruments. The fair value of other receivables and investments in and advances to significantly influenced companies and other investments are not determinable as these instruments lack an available trading market. The fair value of long-term debt is assumed to approximate carrying value as the existing rates represent the rates currently available to the Company.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. COMPARATIVE FIGURES

Certain of the figures for comparative purposes have been reclassified to confirm to the current year's presentation.

SUNRISE INTERNATIONAL INC.

Notes to the Consolidated Financial Statements

Years ended September 30, 1998 and 1997

17. SEGMENTED INFORMATION

	Tourism and Hotels			Retail		Rental		Eliminations		Consolidated	
	1998	1997		1998	1997	1998	1997	1998	1997	1998	1997
Revenue from external customers	\$ 13,233,281	\$ 11,653,803	\$ 8,354,525	\$ 9,943,827	\$ 1,395,731	\$ 1,170,229	\$ -	\$ -	\$ -	\$ 22,983,573	\$ 22,767,859
Inter-segment revenue	80,504	147,000	60,368	18,000	325,988	277,791	(466,860)	(466,860)	(442,791)	-	-
GROSS REVENUE	\$ 13,313,785	\$ 11,800,803	\$ 8,414,893	\$ 9,961,827	\$ 1,721,719	\$ 1,448,020	\$ (466,860)	\$ (466,860)	\$ (442,791)	\$ 22,983,573	\$ 22,767,859
SEGMENT OPERATING EARNINGS (LOSS)	\$ 2,638,985	\$ 2,935,921	\$ (660,983)	\$ (568,505)	\$ 589,440	\$ 451,004	\$ -	\$ -	\$ -	\$ 2,567,442	\$ 2,801,420
Income from investments in significantly influenced companies											
Other income										117,624	184,833
General corporate expenses										196,170	286,821
Interest on long-term debt										(703,158)	(659,895)
Provision on impairment of value of assets										(1,514,840)	(1,405,628)
Gain on sale of capital assets, properties held for development, rental properties, and from insurance settlement.										-	(871,711)
Income taxes										381,139	399,404
										(660,000)	(862,000)
NET EARNINGS										\$ 384,377	\$ (126,756)
Identifiable segment assets	\$ 22,313,429	\$ 15,818,041	\$ 4,039,098	\$ 3,803,384	\$ 7,214,350	\$ 11,767,977	\$ -	\$ -	\$ -	\$ 33,566,877	\$ 31,389,402
Corporate assets										1,451,752	935,881
Investment in and advances to significantly influenced companies and other investments										933,288	1,072,433
TOTAL ASSETS										\$ 35,951,917	\$ 33,397,716
Identifiable segment capital expenditure	6,203,690	977,459	777,546	892,457	878,683	787,969	-	-	-	7,859,919	2,657,885
Corporate capital expenditures										184,709	-
TOTAL CAPITAL EXPENDITURES										\$ 8,044,628	\$ 2,657,885
DEPRECIATION AND AMORTIZATION	\$ 1,076,857	\$ 830,103	\$ 299,656	\$ 297,366	\$ 324,324	\$ 408,243	\$ -	\$ -	\$ -	\$ 1,792,858	\$ 1,535,712

The Company operates primarily in three industries - tourism and hotels, retail and rental. Tourism and hotel operations includes providing recreational services at Maligne Lake in Jasper National Park, Alberta and hotel accommodations in Jasper, Alberta and Stony Plain, Alberta. Retail operations comprise the marketing of a variety of goods in various locations throughout Alberta. Rental operations consist of renting commercial and residential properties in various locations in Alberta. Inter-segment revenues are accounted for at prices comparable to open market prices for similar products and services.

